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Before the Federal Communications Commission Washington, D.C. 20554

In the Matter of)	REGE
Application by SBC Communications, Inc., Southwestern Bell Telephone)))	JAN 3 1 2000
Company, and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance)	CC Docket No. 60 The Secretary
for Provision of In-Region, InterLATA Services in Texas)	
)	

COMMENTS OF MCI WORLDCOM, INC., ON THE APPLICATION BY SBC FOR AUTHORIZATION TO PROVIDE IN-REGION, INTERLATA SERVICES IN TEXAS

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TABLE OF CONTENTS

				<u>Pag</u>		
I.				ATISFIED THE COMPETITIVE CHECKLIST NOR PENED THE TEXAS MARKET TO COMPETITION		
	A.	Legal	Legal Framework			
	В.			S Does Not Provide CLECs Parity Or A Meaningful to Compete		
		1.	That '	T's OSS Contains Fundamental Systemic Flaws Will Prevent Commercial Scale Entry Using ndled Elements		
			a.	SWBT Does Not Offer A Pre-order Interface That Can Be Integrated With an Order Interface		
			b.	SWBT's Back-end Processes Create an Unnecessary Risk of Lost Dial Tone and Double Billing for Customers		
			c.	SWBT's Process for Enabling CLECs to Update LIDB is Severely Deficient		
			d.	SWBT Is Unable to Receive Electronic Trouble Tickets Until Orders Have Posted		
			e.	SWBT Relies on Far Too Much Manual Processing During Ordering and Provisioning		
			f.	SWBT Is Unable to Successfully Coordinate Cutovers27		
			g.	SWBT Cannot Successfully Relate Orders for CLECs29		
			h.	SWBT's OSS Suffers From Other Systemic Deficiencies 30		

	2.	SWB	T's OSS Is Not Operationally Ready		
		a.	SWBT's Performance Data Does Not Show That Its Systems Are Ready		
		b.	SWBT's Performance Is Poor Even Using Its Inadequate Data		
		c.	The Telcordia Test Also Demonstrates SWBT's Poor Performance and Certainly Does Not Prove SWBT's Performance Is Acceptable		
C.	Are l	Not Cos	ses Glue Charges and Lost Profits Charges That t-based and Seriously Impede Residential and ess Services Competition		
	1.	UNE Supre	Non-Recurring Rates SWBT Charges for Existing Combinations Violate FCC Rule 315(b) and the eme Court's Decision Upholding The Rule ast SWBT's Challenge in Iowa Utilities Board		
	2.	Charg	T Charges Competitors An Additional Glue ge For New Combinations That Provides T With A Double Recovery		
	3.	Calls,	T Imposes A Special Charge On Extended Area Not Based On Any Costs Incurred By SWBT, O Recover Revenues Lost To CLECs		
D.		SWBT Has Not Satisfied Its Statutory Obligations with Respect to Provisioning DSL-Capable Loops			
E.	Must	SWBT's Provision of Unbundled Elements to CLECs Must Include the Same Level of Protection from Third Party Intellectual Property Claims That SWBT Enjoys			
F.		SWBT Discriminates Against CLECs By Overcharging for Certain Directory Listings			

11.	PREMATURE PROVISION OF INTEREXCHANGE SERVICES IN TEXAS				
	A.	Local Competition Is Limited and Narrowly Focused			
	B.	SWBT Has Not Yet Eliminated Several Significant Barriers to Entry or Irreversibly Opened the Local Market to Competition			
		SWBT's Performance Remedy Plan Is Inadequate to Prevent Backsliding			
			a.	Description of the T2A Performance Plan	
			b.	The Level of Remedies Is Trivial	
			c.	Misguided Statistical Loopholes Lessen SWBT's Obligations	
			d.	Important Functions Are Not Subject to Standards	
			e.	The Performance Remedy Plan Will Not Serve Its Intended Purpose to Prevent Backsliding	
			f.	Other Incentives Are Insufficient to Level the Playing Field	
	C.	_		Competition Will Suffer from a Premature Grant Authority	
CONC	CLUSIO	N		82	

TABLE OF DECLARATIONS

TAB	DECLARANT	SUBJECT
VOLS. I-III		
TAB A	Terri McMillon and John Sivori	Operations Support Systems
VOL. IV		
TAB B	Ronald J. McMurtrie, Terence D. Macko, and Sherry Lichtenberg	Competitive Requirements
TAB C	Donald G. Price	Pricing Issues
TAB D	George S. Ford and John D. Jackson	Performance Remedy Plan
TAB E	T. Randolph Beard and John W. Mayo	Public Interest

TABLE OF ADDITIONAL EXHIBITS

TAB	SUBJECT
VOL. IV	
TAB F	ACSEC Emergency Petition, Docket No. 202334 (Pub. Util. Comm'n Tex. filed Jan. 15, 1999)
TAB G	ACSEC List of Issues, Docket No. 20856 (Pub. Util. Comm'n Tex. filed Aug. 25, 1999)
ТАВ Н	SCC List of Issues, Docket No. 20856 (Pub. Util. Comm'n Tex. filed Aug. 10, 1999)
TAB I	MCI WorldCom's Proposed Performance Remedy Plan

TABLE OF CITATION FORMS

FCC Orders	
Bell Atlantic National Directory Assistance Order	In re Petition of Bell Atlantic for Forbearance from Section 272 Requirements in Connection with National Directory Assistance Services, CC Docket No. 97-172, Memorandum Opinion and Order, FCC No. 99-404 (rel. Dec. 22, 1999).
<u>Directory Listings</u> <u>Order</u>	In re Implementation of the Telecommunications Act of 1996, CC Docket Nos. 96-115, 96-98, & 99-273, Third Report and Order in CC Docket No. 96-115, Second Order on Reconsideration of the Second Report and Order in CC Docket No. 96-98, and Notice of Proposed Rulemaking in CC Docket No. 99-273, FCC No. 99-227 (rel. Sept. 9, 1999).
First Report and Order	In re Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, CC Docket Nos. 96-98 & 95-185, First Report and Order, 11 F.C.C.R. 15499 (1996).
LA I Order	In re Application of BellSouth Corporation, et al. Pursuant to Section 271 of the Communications Act of 1934, as amended, to Provide In-Region, InterLATA Services in Louisiana, CC Docket No. 97-231, Memorandum Opinion and Order, 13 F.C.C.R. 6245 (1998).
LA II Order	In re Application of BellSouth Corporation, BellSouth Telecommunications, Inc., and BellSouth Long-distance, Inc., for Provision of In-Region, InterLATA Services in Louisiana, CC Docket No. 98-121, Memorandum Opinion and Order, 13 F.C.C.R. 20599 (1998).
Merger Order	In re Applications of Ameritech Corp., Transferor, and SBC Communications, Inc., Transferee, CC Docket No. 98-141, Memorandum Opinion and Order, FCC No. 99-279 (rel. Oct. 8, 1999).
MI Order	In re Application of Ameritech Michigan Pursuant to Section 271 of the Communications Act of 1934, as amended, to Provide In-Region, InterLATA Services in Michigan, CC Docket No. 97-137, Memorandum Opinion and Order, 12 F.C.C.R. 20543 (1997).
NY Order	In re Application by Bell Atlantic New York for Authorization Under Section 271 of the Communications Act to Provide In-Region, InterLATA Services in the State of New York, CC Docket No. 99-295, Memorandum Opinion and Order, FCC No. 99-404 (rel. Dec. 22, 1999).

Reciprocal Compensation Order	In re Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, Inter-Carrier Compensation for ISP-Bound Traffic, CC Docket Nos. 96-98, 99-68, Declaratory Ruling and Notice of Proposed Rulemaking, 14 F.C.C.R. 3689 (1999).
SC Order	In re Application of BellSouth Corporation, et al. Pursuant to Section 271 of the Communications Act of 1934, as amended, to Provide In-Region, InterLATA Services in South Carolina, CC Docket No. 97-208, Memorandum Opinion and Order, 13 F.C.C.R. 539 (1997)
Second Report and Order	In re Implementation of the Telecommunications Act of 1996, CC Docket Nos. 96-98, 95-185, 92-237, NSD File No, 96-8, IAD File No. 94-102, Second Report and Order and Memorandum Opinion and Order, 11 F.C.C.R. 19392 (1996).
SWBT Reverse Search Services Order	Petition for Forbearance from the Application of Section 272 of the Communications Act of 1934, as Amended, to Reverse Search Services, CC Docket No. 98-193, Memorandum Opinion and Order, 14 F.C.C.R. 5329 (1999).
U S West National Directory Assistance Order	In re Petition of U S West Communications, Inc. for a Declaratory Ruling Regarding the Provision of National Directory Assistance, CC Docket Nos. 97-172 & 92-105, Memorandum Opinion and Order, FCC No. 99-133 (rel. Sept. 27, 1999).
Declarations and	Affidavits (1997) - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 -
Auinbauh Aff.	Affidavit of Michael C. Auinbauh, SWBT Appl., app. A-3, Tab 1.
Beard & Mayo Decl.	Joint Declaration of T. Randolph Beard and John W. Mayo on Behalf of MCI WorldCom (attached hereto as Tab E).
Beard & Mayo NY Decl.	Joint Declaration of T. Randolph Beard and John W. Mayo on Behalf of MCI WorldCom, MCI WorldCom Comments, In re Application by Bell Atlantic New York for Authorization Under Section 271 of the Communications Act to Provide In-Region, InterLATA Services in the State of New York, CC Docket No. 99-295 (filed Oct. 19, 1999).
Brown Aff.	Affidavit of Lincoln Brown, SWBT Appl., app. A-3, tab 2.
Chapman Aff.	Affidavit of Carol Chapman, SWBT Appl., app. A-2, tab 2.
Dysart Aff.	Affidavit of William R. Dysart, SWBT Appl., app. A-5, tab 1

Ford & Jackson Decl.	Joint Declaration of George S. Ford and John D. Jackson on Behalf of MCI WorldCom (attached hereto as Tab B).	
Habeeb Aff.	Affidavit of John S. Habeeb, SWBT Appl., app. A-1, tab 1.	
Ham Aff.	Affidavit of Elizabeth A. Ham, SWBT Appl., app. A-4, tab 1.	
McMurtrie, Macko, & Lichtenberg Decl.	Joint Declaration of Terence D. Macko, Sherry Lichtenberg, and Ronald J. McMurtrie on Behalf of MCI WorldCom (attached hereto as Tab C).	
McMillon & Sivori Decl.	Joint Declaration of Terri McMillon and John Sivori on Behalf of MCI WorldCom (attached hereto as Tab A).	
Price Decl.	Declaration of Donald G. Price on Behalf of MCI WorldCom (attached hereto as Tab D).	
Rogers Aff.	Affidavit of Jan D. Rogers, SWBT Appl., app. A-2, tab 6	
DOJ Evaluations		
DOJ LA I Eval.	Evaluation of the United States Dept. of Justice, <u>In re Application of BellSouth Corporation</u> , et al., for Provision of In-Region, InterLATA Services in Louisiana, CC Docket No. 97-231 (filed Dec. 10, 1997).	
DOJ LA II Eval.	Evaluation of the United States Dept. of Justice, <u>In re Application of BellSouth Corporation</u> , et al, for Provision of In-Region, InterLATA Services in Louisiana, CC Docket No. 98-121 (filed Aug. 19, 1998).	
DOJ NY Eval.	Evaluation of the United States Dept. of Justice, In re Application of New York Telephone Company (d/b/a Bell Atlantic - New York), for Authorization to Provide In-Region, InterLATA Services in New York, CC Docket No. 99-295 (filed Nov. 1, 1999).	
DOJ Okla. Eval.	Evaluation of the United States Dept. of Justice, <u>In re Application of SBC Communications</u> , Inc., et al. to Provide In-Region, InterLATA Services in the State of Oklahoma, CC Docket No. 97-121 (filed May 21, 1997)	

DOJ SC Eval.	Evaluation of the United States Dept. of Justice, <u>In re Application of BellSouth Corporation</u> , BellSouth Telecommunications, Inc., and BellSouth Long-distance, Inc. for Provision of In-Region, InterLATA Services in South Carolina, CC Docket No. 97-208 (filed Nov. 4, 1997)	
Other Record Ma	terials	
12/19/97 Arbitration Award	Arbitration Award, Docket Nos. 16189 et al. (Pub. Util. Comm'n Tex. Dec. 19, 1997) (SWBT Appl., app. F, tab 17).	
T2A	Interconnection Agreement between Southwestern Bell Telephone Company and CLEC (SWBT Appl., app. B, tab 68).	

INTRODUCTION AND SUMMARY

The Commission's seminal decision approving Bell Atlantic's application to provide long distance service in New York ("NY Order") confirmed the core principle that to gain section 271 entry, a Bell Operating Company ("BOC") must prove that it is providing service to competitors at parity with the BOC's retail offerings, and that it can accommodate commercial-scale competition for traditional and advanced local telecommunications services. For all the progress Southwestern Bell ("SWBT") has recently made with the guidance and insistence of the Texas Public Utilities Commission ("PUC"), SWBT still cannot make this essential showing.

In a few areas, SWBT's Operations Support Systems ("OSS") are not even designed to provide parity and support commercial-scale volumes (unlike Bell Atlantic's systems in New York), although SWBT is fully capable of making the needed system improvements in the near term. In other areas the system design is adequate but SWBT has not yet been able to consistently meet critical performance standards, even though it is handling a far smaller volume of orders from competitors than will be required in a competitive market, particularly on the residential side. These problems must be cured before there can be any meaningful level of competition for residential consumers and small and medium-sized businesses in Texas, both for ordinary voice and DSL-based services.

MCI WorldCom hopes to be able to enter the Texas residential market using the unbundled element "platform" ("UNE-P"), the only viable means today for wide-scale residential entry. Whether MCI WorldCom will be able to do so will depend on whether SWBT eliminates the remaining barriers to entry discussed in these Comments. SWBT's unresolved OSS

problems would limit any entry to a very small scale because SWBT cannot handle commercial volumes of orders. MCI WorldCom will not harm its customers and its reputation by entering and ramping up until SWBT cures the defects in its OSS that prevent it from handling significant order volumes in a nondiscriminatory fashion. The most significant OSS problems are summarized below, along with several other remaining barriers to entry in Texas, including SWBT's excessive and unlawful pricing of UNE-P.

OSS System Defects

The first problem SWBT must resolve is that it divides UNE-P orders into three component parts and often disassociates the orders, causing lost dial tone for consumers. The CLEC community has expressed great concern over this impediment to competition for residential services, and to date SWBT has only acknowledged the problem and promised to address it – in an unstated manner and at an undefined time.

Equally important, SWBT fails to provide CLECs a pre-order interface that can be successfully integrated with an EDI ordering interface. The Commission has repeatedly found that without an integrated system, a competing carrier would be forced to re-enter pre-ordering information manually into an ordering interface, which leads to additional costs and delays, as well as a greater risk of error. The Commission correctly recognized that this lack of integration places competitors at a competitive disadvantage and "significantly impacts" a carrier's ability to serve its customers in a timely and efficient manner. Indeed, in the NY Order the Commission concluded that the integration requirement is "fundamental to a BOC's showing of nondiscriminatory access to OSS." The Commission also properly found that parsed Customer

Service Records ("CSRs") are essential to such integration, yet SWBT does not provide parsed CSRs. There is simply no way to square approval of SWBT's application with the fundamental OSS standards set forth in the Commission's prior decisions, and thus with the threshold requirements for robust local competition.

A further problem that stands in the way of commercial-scale residential entry is that SWBT cannot handle electronic trouble tickets in the critical one to two days after initial installation, the time when most troubles are reported. SWBT's system design also requires competitors to use inefficient processes for vital updates to data showing a customer's preferences, including the data needed to route calls to the customer's chosen interexchange carrier. This severely impacts the ability of CLECs to compete because of the frequency with which customers change long distance providers.

More generally, SWBT's excessive reliance on manual processing of orders that it rejects, as well as those it accepts, leads to delays and increased errors. This was particularly apparent in the limited testing of MCI WorldCom's UNE-loop interface, where SWBT made repeated errors handling loop orders because of manual intervention.

Apart from some issues concerning manual intervention, <u>none</u> of the systemic OSS defects identified above was at issue in Bell Atlantic's New York application. These deficiencies, which MCI WorldCom and other CLECs did not face in New York, stand in the way of an open local market in Texas.

<u>Inadequate and Unproven Performance</u>

SWBT has also failed to show that it can consistently meet critical performance standards, which is particularly problematic given the relatively small volume of orders it has handled to date. In the recent months preceding its application, SWBT demonstrated discriminatory and inadequate performance in a number of vitally important areas, including DSL provisioning, timeliness of order rejections, and frequency of repeat troubles on a customer's line. SWBT's performance data reveal that SWBT's OSS does not yet perform as promised, and the inadequate Telcordia third-party test raises, rather than alleviates, concerns about that performance.

In addition, SWBT must also prove that it can consistently and reliably perform in a crucial area not even covered by the performance measures – change management. At the urging of the PUC, SWBT recently made a number of important promises in the area of change management, but that does not translate into compliance. SWBT must show that it will follow the new rules for significant upcoming software releases, as a failure to abide by change management requirements (including advance notice of changes, accurate documentation, and proper testing of releases CLECs depend upon) can stop nascent – or even well established – local competition in its tracks. SWBT must show that it can comply with its paper promises concerning change management when it undertakes significant software releases in the coming months.

In addition to the needed improvements to SWBT's systems and performance, there are a few other remaining barriers to local entry in Texas, as the PUC has worked vigorously to create

favorable conditions for market entry. The remaining barriers summarized below are significant, but also could be resolved in the near term.

Glue Charges

SWBT must remove the substantial "glue charges" it still imposes for UNE-platform, in violation of the Supreme Court's <u>Iowa Utilities Board</u> decision and required costing principles.

This change could be made promptly and would encourage more widespread competition.

Ineffective Backsliding Plan

SWBT's performance remedy plan is far too weak – even in conjunction with other incentives SWBT claims to have – to ensure that SWBT will provide nondiscriminatory service following section 271 entry. The needed changes could easily be implemented immediately: (i) trivial "per occurrence" remedy amounts must be changed to an effective scheme that triggers adequate remedies for poor performance; (ii) clearly erroneous statistical loopholes that excuse poor performance should simply be removed; and (iii) a few measures of critical functions, such as change management (which are part of Bell Atlantic's performance plan), must be added to the Texas plan.

Intellectual Property Protection.

SWBT continues to refuse to provide, or confirm that CLECs already have, clearance to use SWBT's unbundled elements free of intellectual property claims by SWBT's vendors.

SWBT has thus erected a significant barrier to competition in Texas, as well as violated its duty under the competitive checklist to provide nondiscriminatory access to network elements.

Pricing of Directory Listings.

SWBT insists on charging Texas CLECs excessive "market-based" prices, rather than forward-looking prices, for access to directory assistance listings and databases relating to customers outside of Texas. Because there is no evidence that SWBT imputes to itself the price it seeks to charge others for these in-region, out-of-state listings, SWBT is not in compliance with the requirements of the 1996 Act.

Until these remaining barriers are lifted, Texas will not see meaningful competition for market segments for which access to SWBT's unbundled elements is required -- residential consumers, small and medium-sized businesses, all locations of larger business customers, and DSL-based services. As the leading provider of competitive local residential service in New York using unbundled elements, MCI WorldCom is uniquely able to identify the impact of these remaining obstacles to commercial-scale residential entry in Texas. Several of the entry barriers in Texas are similar to the problems that plagued MCI WorldCom's initial entry in New York many months ago (problems that Bell Atlantic largely corrected prior to section 271 entry); other SWBT system and performance problems are notably more serious than those in New York, and must be resolved before the Texas market will be irreversibly open to local competition.

Before the Federal Communications Commission Washington, D.C. 20554

In the Matter of)	
)	
Application by SBC Communications,)	
Inc., Southwestern Bell Telephone)	
Company, and Southwestern Bell)	
Communications Services, Inc. d/b/a)	CC Docket No. 00-4
Southwestern Bell Long Distance)	
for Provision of In-Region, InterLATA)	
Services in Texas)	

COMMENTS OF MCI WORLDCOM, INC., ON THE APPLICATION BY SBC FOR AUTHORIZATION TO PROVIDE IN-REGION, INTERLATA SERVICES IN TEXAS

Southwestern Bell's application for section 271 authority is premature, as it plainly has not satisfied the competitive checklist nor irreversibly opened the Texas local market to competition. The Commission's order granting Bell Atlantic's application to provide long distance service in New York confirmed the essential standards set forth in each of the Commission's prior section 271 orders, leaving no ambiguity that SWBT must fully implement the competitive checklist and demonstrate that sufficient safeguards are in place to prevent postentry backsliding. SWBT has not made either showing. SWBT must eliminate several substantial barriers to entry in order to allow Texas consumers to benefit from competition for traditional voice and advanced services in the Texas market.

I. SWBT HAS NOT SATISFIED THE COMPETITIVE CHECKLIST NOR IRREVERSIBLY OPENED THE TEXAS MARKET TO COMPETITION

A. Legal Framework

To gain entry into the interLATA market in Texas, SWBT must prove that it has "fully implemented" all fourteen items of the competitive checklist set forth in section 271(c)(2)(B) of the 1996 Telecommunications Act. 47 U.S.C. § 271(c)(2)(B); NY Order ¶ 44; MI Order ¶ 105; see also LA II Order ¶ 50 (noncompliance with a single checklist item is sufficient to deny an application). Section 271 of the Act is designed to ensure that "BOCs have taken real, significant, and irreversible steps to open their markets" to local competition before they are permitted to enter the long distance market in their own regions. MI Order ¶ 18; see also DOJ LA I Eval. at iii, 1-2; DOJ LA II Eval. at 1.

Both the Commission and the Department of Justice have recognized that the statutory requirement that a BOC "provide" access and interconnection, 47 U.S.C. § 271(c)(2)(A), means not only that a BOC must make each item legally available, on paper, but also that it must make each item practically available – that the BOC must demonstrate that it is furnishing or ready to furnish the item in quantities that competitors may reasonably demand, and at an acceptable level of quality. NY Order ¶ 52; LA I Order ¶ 54; SC Order ¶¶ 78, 81; MI Order ¶¶ 107, 110.31

^{1/} The Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996) ("1996 Act" or "Act").

 $[\]underline{2}$ / A table of citation abbreviations and corresponding full citations is provided above, following the Table of Contents.

^{3/} See also DOJ SC Eval. at 13 (each checklist item must "be genuinely available"); id. at 16 (BOC must demonstrate practical ability to provide UNEs with "satisfactory performance in

To judge whether these standards are met, and to ensure that the conditions SWBT has put into place to win section 271 approval do not deteriorate once it is allowed to compete in the long distance market, it is essential that there be adequate standards of performance creating a strong financial incentive for post-entry compliance with the section 271 checklist. NY Order ¶8, 12, 436, 438; MI Order ¶22 (BOC must not only prove compliance with Act's requirements at time of application, but also that it can be relied on to remain in compliance); see also id. ¶¶ 204-206, 209; DOJ LA I Eval. at 31.

SWBT has the burden of proving by a preponderance of the evidence that all of these criteria are satisfied as to each checklist item. NY Order ¶¶ 47-48; LA II Order ¶¶ 51-59; SC Order ¶¶ 37, 57; MI Order ¶ 45. Critically, paper promises of future compliance are not enough. NY Order ¶ 37. SWBT has the burden of submitting evidence demonstrating its "present compliance" with the requirements of section 271. Id. (emphasis in original); DOJ SC Eval. at 16 & n.28; LA II Order ¶¶ 51-59.

B. SWBT's OSS Does Not Provide CLECs Parity Or A Meaningful Opportunity to Compete.

"The Commission consistently has found that nondiscriminatory access to OSS is a prerequisite to the development of meaningful local competition." NY Order ¶83. While SWBT has made significant progress in implementing OSS capable of supporting competitive entry by CLECs, vital steps remain. SWBT's OSS does not meet either prong of the test the

commercial quantities"); <u>DOJ Okla. Eval.</u> at 75-76 (interconnection and access must be practically available in adequate quantities, and through automated systems that permit efficient ordering, installation, and billing).

Commission has established to evaluate OSS: it has not deployed the necessary systems and personnel; and its OSS is not operationally ready. NY Order ¶87. SWBT's OSS contains critical functional deficiencies that will cause substantial problems for customers and will also significantly raise CLEC costs if and when CLECs are able to transmit commercial volumes of orders. In addition, SWBT's performance data reveal that SWBT's OSS does not yet perform as promised, and the inadequate Telcordia third-party test raises, rather than alleviates, concerns about that performance.

As a result of the facial deficiencies in SWBT's OSS, as well as SWBT's unproven ability to process commercial volumes of orders, any launch of UNE-P service by MCI WorldCom would have to be at low order volumes. See Joint Declaration of Terri McMillon and John Sivori on Behalf of MCI WorldCom ("McMillon & Sivori Decl."), ¶ 5 (Tab A hereto). The delay in bringing meaningful levels of residential competition to Texas is due to barriers erected by SWBT, including OSS and pricing. See Joint Declaration of Ronald J. McMurtrie, Terence D. Macko, and Sherry Lichtenberg on Behalf of MCI WorldCom ("McMurtrie, Macko and Lichtenberg Decl."), passim (Tab B hereto).

The principal problem is that SWBT has failed to create a seamless electronic process.

CLECs using SWBT's systems must manually re-type information obtained at the pre-order stage when they submit orders; must manually call in trouble tickets for the first 24-48 hours after a customer has obtained service, and must use a separate, partially manual process to update a customer's information in the Line Information Database ("LIDB"). Each of these processes raises CLEC costs and leads to increased errors on the CLEC's side of the interface. Moreover,

SWBT's relatively high level of reliance on manual processing of orders and of rejects on its side of the interfaces also lead to delays and increased errors. Finally, and perhaps most fundamentally, SWBT's procedure of creating three separate service orders from each Local Service Request ("LSR") submitted by CLECs and its inability to ensure that these three orders are completed simultaneously creates a substantial risk of lost dial tone or double billing for customers. Other than issues concerning manual processes, none of these functional deficiencies was at issue in Bell Atlantic's section 271 application for New York.

These deficiencies have already created significant problems for CLECs in Texas, including lost dial tone for a high number of customers. The impact is likely to grow far worse at commercial volumes. SWBT claims to have processed almost no orders via EDI until July, then processed only 3,458 orders in July, 6,523 in August, 32,497 in September and 19,104 in October. Ham Aff. ¶ 100 & att. S-2.4 In New York, in contrast, Bell Atlantic processed almost 70,000 UNE orders in September (not including disconnect orders). NY Order ¶ 169. The New York number is itself low; MCI WorldCom's monthly order volumes in New York have increased substantially since September. McMillon & Sivori Decl. ¶ 238. As a result, SWBT

^{4/} SWBT nowhere presents data on the number of LSRs it has received via differing interfaces per month for different order types. The numbers presented in attachment S-2 to the Ham Affidavit appear to be three times the number of LSRs SWBT has received via EDI. SWBT states that the numbers on the chart represent "the total number of posted CLEC orders originating via SWBT's EDI Gateway." Ham Aff. ¶ 100. As discussed below, however, SWBT divides each LSR into three service orders. Thus, the posted orders seem to represent three times the number of LSRs submitted. Ham Aff. ¶ 200 n.18. The numbers MCI WorldCom provides in the text are therefore 1/3 of the numbers in attachment S-2. However, the accuracy of these numbers is uncertain because the data SWBT provided in attachment S-2 appears to be inconsistent with the data SWBT provided in Ham Aff. att. X-2-1 (which provides somewhat higher numbers for the total "SMFIDs" submitted – with no explanation of what a SMFID is).

must be capable of successfully processing a far higher volume of orders than it is processing today. Although SWBT has managed to mask the impact of some of its systems problems by hand-holding orders at today's relatively low volumes, it will not be able to do so at higher volumes. McMillon & Sivori Decl. ¶¶ 238, 252. Nor will CLECs be able to hand-hold orders on their side of the interfaces. Id. ¶¶ 238, 253.

- 1. SWBT's OSS Contains Fundamental Systemic Flaws That Will Prevent Commercial Scale Entry Using Unbundled Elements.
 - a. SWBT Does Not Offer A Pre-order Interface That Can Be Integrated With an Order Interface.

The Commission has repeatedly made clear the importance of a pre-order interface that CLECs can integrate with an EDI ordering interface. As the Commission explained in the NY Order, "[w]ithout an integrated system, a competing carrier would be forced to re-enter pre-ordering information manually into an ordering interface, which leads to additional costs and delays, as well as a greater risk of error. This lack of integration would place competitors at a competitive disadvantage and significantly impact a carrier's ability to serve its customers in a timely and efficient manner." NY Order \$\frac{1}{37}\$; see also LA II Order \$\frac{9}{40}\$ 94-100; SC Order \$\frac{9}{112}\$, 156-59. SWBT has not shown that it has such an interface. Indeed, defects in SWBT's OSS clearly preclude CLECs from successfully using address information obtained from a Customer Service Record (CSR) at the pre-order stage to populate an order.

SWBT Fails to Show Its Interfaces Can Be Integrated. First, SWBT provides no evidence that the pre-order interfaces it offers enable integration of any pre-ordering function with ordering. While SWBT claims that one CLEC has successfully integrated pre-order and order

functions using SWBT's Datagate pre-order interface, see Ham Aff. ¶ 60, it offers no detail to support this claim. It does not assert, much less provide evidence, that the CLEC integrated all pre-order functions for all important order types, or that the CLEC avoided the need for re-typing for those functions it ostensibly integrated. SWBT also cannot rely on the Telcordia test for proof that its pre-order interfaces are integratable. Telcordia did not build an integrated interface nor even examine SWBT's documentation to evaluate whether SWBT's interfaces are capable of integration. McMillon & Sivori Decl. ¶ 50. In sharp contrast, in its New York application, Bell Atlantic presented evidence that Hewlett Packard had developed an EDI pre-order interface, that KPMG had evaluated whether that interface could be integrated with an EDI ordering interface, and that CLECs had actually built integrated interfaces for some pre-order functions. NY Order ¶ 133-34, 138. SWBT's application is more akin to BellSouth's second Louisiana application which this Commission rejected as inadequate in part because there was no evidence that any "carrier has sought to integrate all five pre-ordering functions with ordering" and because there was no evidence as to "whether a competing carrier is able to build an integrated interface." LA II Order ¶ 101.

SWBT Fails to Provide Parsed CSRs. This critical defect in SWBT's application is not simply one of lack of proof. The fact is that SWBT's pre-order interfaces cannot yet be integrated with an EDI ordering interface with respect to at least one essential pre-order function: retrieval of Customer Service Records ("CSRs"). Unlike Bell Atlantic, see NY Order ¶¶ 133-34, 138, 151-52, SWBT does not offer fully parsed CSRs. McMillon & Sivori Decl. ¶ 52. SWBT provides address information from the CSR in one unparsed address field. Id. This information

cannot be directly populated into an LSR; CLECs must take this information from the CSR and re-type it into the correct fields on the LSR (service address descriptive location, service address house number, service address house prefix, service address street directional, service address house number suffix, service address street name, service address street suffix, and service address thoroughfare) while precisely following SWBT's business rules. Id. ¶¶ 42, 53. The need to re-type address information takes substantial time and risks an extremely high error rate.

McMillon & Sivori Decl. ¶¶ 53-54, 71-74. As the Commission has explained, "parsed CSR functionality is necessary for carriers to integrate CSR data into their own back office systems . . . [A BOC] must provide access to parsed CSR functionality that affords an efficient competitor a meaningful opportunity to compete." NY Order ¶ 151; see also id. ¶¶ 137, 152; LA II Order ¶ 100 (rejecting BellSouth's reliance on a CGI-LENS offering in part because carriers were unable to use CSR information "to populate individual fields of an order").

SWBT's Address Databases Contain Too Many Mismatches. Errors are also the inevitable result of another defect in SWBT's systems related to service addresses: a significant number of mismatches between the CRIS database (from which CLECs obtain CSRs) and the PREMIS database (against which addresses are validated). McMillon & Sivori Decl. ¶¶ 65-66. AT&T and Birch Telecommunications have both reported experiencing a significant number of rejects for invalid addresses on orders on which they had placed the exact address obtained from the CSR. Id. ¶ 66. SWBT's explanation has been that addresses in CRIS and PREMIS do not always match. Id. ¶ 100. Such address mismatches cause a high number of rejects and force the CLECs to rely on manual processes to obtain an address that can be accepted by SWBT's

systems. <u>Id.</u> ¶ 67. Moreover, even if the address is successfully validated, it does not always match the database from which SWBT draws addresses for provisioning, and this has led to mistakes such as provisioning of service at the incorrect address. <u>Id.</u> ¶ 68.

SWBT Requires Population of an Address on Every Order. The impact of address mismatches and the need to re-type addresses is magnified by yet another defect of SWBT's systems. SWBT requires that CLECs place an address on every order, even migration orders. As a result, every order has the potential to be rejected for an invalid address, and every order requires the expenditure of time and expense in populating address information. Id. ¶ 69. If, like Bell Atlantic, SWBT permitted CLECs to transmit migration orders without re-transmitting the customer's address (an address which, after all, already resides in SWBT's systems), the issues associated with addresses could be avoided on all such orders. Id. ¶ 70.

The service address issues are a major gating item to MCI WorldCom's ability to launch service in commercial volumes. McMillon & Sivori Decl. ¶ 64. MCI WorldCom significantly increased the number of orders it was transmitting in New York only after it was able to obtain parsed CSRs. Id. ¶¶ 43, 64.

SWBT's Responses to CLEC Concerns With Respect to Addresses Are Unavailing.

SWBT offers little excuse for its systemic flaws with respect to service addresses. SWBT acknowledges that it does not offer parsed CSRs but asserts that no CLECs have asked for them. Ham Aff. ¶¶ 182-83. However, MCI WorldCom requested parsed CSRs from SWBT more than a year ago and has consistently made clear its need for an EDI pre-order interface that would allow it to integrate pre-order and order. McMillon & Sivori Decl. ¶¶ 61-62 & att. 3. In any